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Estelle Crain
11-4-10

tural gas suddenly abundant in U.S.

ed Press

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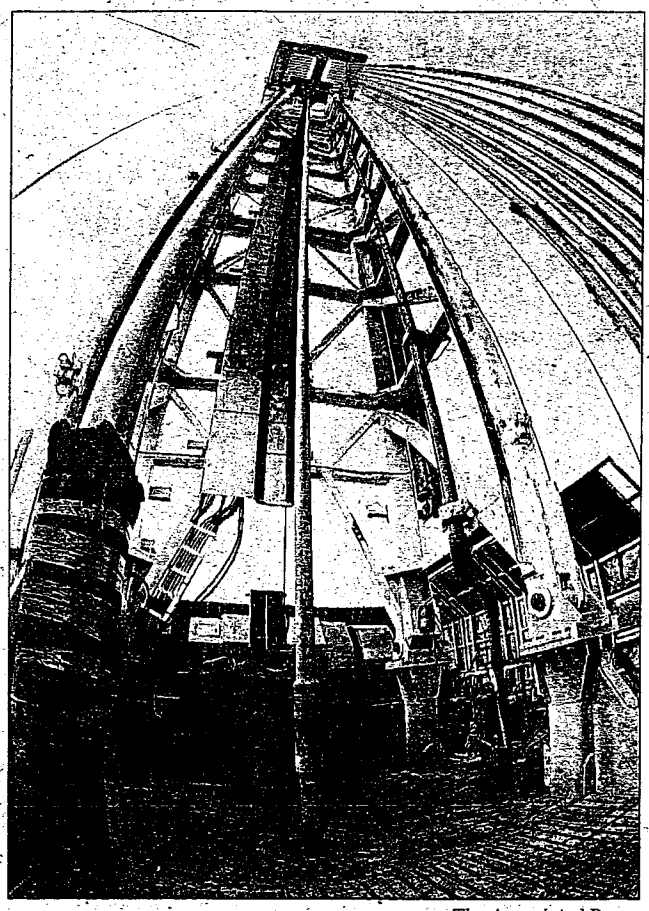
power, already struggling under tighter environmental regulations, is now under even more pressure. Natural gas emits fewer dangerous chemicals and about half as much carbon dioxide as coal.

The new natural gas discoveries, mostly beneath states in the East, South and Midwest, have kept prices remarkably low, even as demand has begun to come back since the end of the recession.

"We once thought we could face gas shortages and (electricity) brownouts. Now we are facing an enormous oversupply of natural gas," said Fadel Gheit, senior oil and gas analyst at Oppenheimer and Co. "We have not scratched the surface of potential of gas in the U.S. and across the world."

The U.S. uses natural gas to produce 21 percent of its electricity. Coal is the dominant fuel, accounting for 48 percent of the electricity mix. By 2015 natural gas is predicted to reach 25 percent while coal is expected to fall to 44 percent.

In the middle of the last decade, natural gas looked to be in short supply. Production in the U.S. was slowing, imports from Canada were rising and plans for importing liquefied natural gas from the Middle East and elsewhere were drawn up.



The Associated Press

A flex rig towers over the floor of a well during a tour of facilities of natural gas producer Williams in Rulison, Colo.

Natural gas, which had traded at about $2 per 1,000 cubic feet in the 1990s, hit nearly $15 in 2005. It is now about $3.50, driven lower by reduced industrial power demand and rising production by drillers who are learning to make a profit from shale gas at ever lower prices.

Starting in about 2006, after decades of work, natural gas drillers like Devon Energy, EOG Resources and XTO Energy, now owned by ExxonMobil, perfected methods first tried in 1981 that now allow them to cheaply drill down and then horizontally into gas trapped in formations of shale never before thought accessible.

To release the trapped gas, drillers inject a slurry of water, sand and hazardous chemicals deep into the ground to break up rock and create small escape channels, a process known as hydraulic fracturing, or "fracking."

There is a fear that fluids or wastewater from fracking could contaminate drinking water supplies. Congress has asked the Environmental Protection Agency to study the issue.

But in just a few years, a number of shale gas fields around the country are suddenly producing gas, including the Barnett field in Texas, the Fayetteville field in Arkansas, the Haynesville field in Louisiana and the massive Marcellus field that stretches from Western New York through Pennsylvania, Eastern Ohio and West Virginia.

C

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